

China

CHANGE IN P.R.C. NUCLEAR CONSTRUCTION POLICY PUTS DAMPER ON OPPORTUNITIES FOR U.S. SALES

PEKING—(By a BNA Special Correspondent)—Just when the U.S. nuclear industry was gearing up to compete in a market estimated at some \$25 billion, China announced its plans had changed.

Vice Premier Li Peng told reporters April 3 that China no longer had a definite nuclear construction program. The country's policy has changed from one of importing turnkey nuclear plants to relying on China's domestic industry, he said.

China claims to have built 10 working nuclear reactors. The first commercial and Chinese-designed reactor at Qinshan near Shanghai is due to be completed in 1988 with a capacity of 300,000 kw.

Sunan Project Canceled

Li, the chief architect of China's energy policy, admitted for the first time that the Sunan project has been canceled.

This 2,000-mw plant was to be China's third nuclear power station and until a few months ago West Germany's Kraftwerk Union thought it had won the contract to supply two reactors in the face of French competition.

Li said the government had now decided it would be better to enlarge the Qinshan plant to 600,000 kw. U.S. companies such as Westinghouse are supplying some parts for the Qinshan project, but the only major deal likely to emerge from China's nuclear program is Daya Bay.

The letters of intent were finally signed last month for a 1,800 mw plant in Guangdong province after eight years of negotiations. France's Framatome and Electricite de France will supply and install the reactors while Britain's General Electric Co. is to deliver the turbines.

The project has been on and off for years, and although it is a turnkey project, 70 percent of the electricity will be sold to Hong Kong for foreign exchange.

For years China has said it will build 10,000 mw of installed capacity by the year 2000 and four nuclear power stations in the seventh five-year plan (1986-90). But April 3, Li conceded that this target had never been an official decision but "something which had just come up in discussions."

Agreement Had Been Reagan Victory

His admission is embarrassing for the Reagan Administration. The Sino-American Nuclear Cooperation Agreement had been one of the triumphs of President Reagan's 1984 visit to China. When it was held up in Congress, Peking described the issue as a major impediment to better bilateral relations.

At that time there were numerous protests from Congress that China refused to sign the standard non-proliferation guarantee that 26 other countries had and which is essential under the Nuclear Non-proliferation Act. It was repeatedly alleged that China is helping Iran, Pakistan, South Africa, and others build nuclear bombs. The U.S. nuclear industry had lobbied hard to have the agreement adopted and it went into effect in December, leading U.S. companies to believe they could finally compete in what was supposedly the largest market in the Third World and which its competitors were allegedly running away with. A Senate resolution endorsing the pact (SJRes 238) which passed the Senate in November (2 ITR 1493, Nov. 27, 1985), then passed the House Dec. 11 and was enacted Dec. 16 establishes additional criteria for licenses.

No other nuclear projects are in the seventh five-year plan, said Li, who was also studiously vague about the 1990s.

Foreign Exchange Problem

The scaling down of China's plans is believed to reflect the realization that it has a structural foreign exchange problem (see related report this issue). China simply cannot afford to import hugely expensive plants and technology which even Western countries have decided is too costly. However, Li rubbed salt in the wound by also announcing that China will send experts to the Soviet Union with a view to cooperation in the future.

The announcement follows the first meeting of a Sino-Soviet Commission on Trade, Science, and Technology, held last month. One of the reasons for the Sino-Soviet split at the end of the 1950s was the Soviet refusal to provide China with the technology to build its own atomic bomb, so the Soviet Union is unlikely to be considered a reliable partner.

Two years ago, the Soviets offered their help "unconditionally" and there are reports that Chinese scientists visited Soviet nuclear plants but were unimpressed. Li, however, is an engineer trained at the Moscow Power Institute.

Some business sources here also believe that Li has dropped his nuclear plans in order to go ahead with the Three Gorges project which would involve building the

world's biggest dam on the Yangtze. It would supply 13,000 mw, but require moving up to a million people and create major environmental problems. The project would cost between \$16 billion and \$20 billion, and the United States and Canada are already vying to carry out a feasibility study. Li stressed that no decision has yet been reached on the project.

Diplomatic sources here believe that China's energy policy has split the top leadership and say the decline in oil price can only have heated the controversy.